

**ASSEMBLY BILL**

**No. 3070**

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**Introduced by Committee on Health (Chan (Chair), Aghazarian (Vice Chair), Berg, Cohn, Dymally, Frommer, Jones, Lieu, Montanez, Nakanishi, Negrete McLeod, Richman, Ridley-Thomas, and Strickland)**

March 15, 2006

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An act to amend Section 14166.17 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 3070, as introduced, Committee on Health. Medi-Cal: demonstration project: nondesignated public hospitals.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and under which qualified low-income persons receive health care benefits. The Medi-Cal program is, in part, governed and funded by federal Medicaid provisions.

Existing law provides for certain intergovernmental transfer payments to the state from local entities for local government financial participation in the Medi-Cal program.

Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital reimbursement methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients. This demonstration project provides for funding, in supplementation of Medi-Cal reimbursement, to various hospitals, including nondesignated public hospitals, as

defined in accordance with certain provisions relating to disproportionate share hospitals.

Existing law establishes the Nondesignated Public Hospital Supplemental Fund in connection with the supplemental funding of nondesignated public hospitals. Existing law requires that each nondesignated public hospital that was a nondesignated public hospital during the 2002–03 fiscal year, and that satisfies certain other criteria, receive no less from the Nondesignated Public Hospital Supplemental Fund for the demonstration project year than 100% of the amount the hospital received from the prior supplemental funds for the 2002–03 fiscal year.

This bill would, instead, require that the amount payable in the demonstration project year to a nondesignated public hospital from this fund be no less than 100% of the federal share of the amount the hospital received from the prior supplemental funds for the 2002–03 fiscal year.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 14166.17 of the Welfare and
- 2 Institutions Code is amended to read:
- 3 14166.17. (a) The California Medical Assistance
- 4 Commission shall negotiate payment amounts in accordance with
- 5 the selective provider contracting program established pursuant
- 6 to Article 2.6 (commencing with Section 14081) from the
- 7 Nondesignated Public Hospital Supplemental Fund established
- 8 pursuant to subdivision (b) for distribution to nondesignated
- 9 public hospitals that satisfy the criteria of Section 14085.6,
- 10 14085.7, 14085.8, or 14085.9.
- 11 (b) The Nondesignated Public Hospital Supplemental Fund is
- 12 hereby established in the State Treasury. For purposes of this
- 13 section, “fund” means the Nondesignated Public Hospital
- 14 Supplemental Fund.
- 15 (c) Notwithstanding Section 13340 of the Government Code,
- 16 the fund shall be continuously appropriated to the department for
- 17 the purposes specified in this section.
- 18 (d) Except as otherwise limited by this section, the fund shall
- 19 consist of all of the following:

1 (1) One million nine hundred thousand dollars (\$1,900,000),  
2 which shall be transferred annually from General Fund amounts  
3 appropriated in the annual Budget Act for the fund.

4 (2) Any additional moneys appropriated to the fund.

5 (3) All stabilization funding transferred to the fund.

6 (4) All private moneys donated by private individuals or  
7 entities to the department for deposit in the fund as permitted  
8 under applicable federal Medicaid laws.

9 (5) Any interest that accrues on amounts in the fund.

10 (e) The department may accept or not accept moneys offered  
11 to the department for deposit in the fund. If the department  
12 accepts moneys pursuant to this section, the department shall  
13 obtain federal financial participation to the full extent permitted  
14 by law. With respect to funds transferred or donated from private  
15 individuals or entities, the department shall accept only those  
16 funds that are certified by the transferring or donating entity as  
17 qualifying for federal financial participation under the terms of  
18 the Medicaid Voluntary Contribution and Provider-Specific Tax  
19 Amendments of 1991 (P.L. 102-234) or Section 433.51 of Title  
20 42 of the Code of Federal Regulations, as applicable. The  
21 department may return any funds transferred or donated in error.

22 (f) Moneys in the funds shall be used as the source for the  
23 nonfederal share of payments to hospitals under this section.

24 (g) Any funds remaining in the fund at the end of a fiscal year  
25 shall be carried forward for use in the following fiscal year.

26 (h) Moneys shall be allocated from the fund by the department  
27 and shall be applied to obtain federal financial participation in  
28 accordance with customary Medi-Cal accounting procedures for  
29 purposes of payments under this section. Distributions from the  
30 fund shall be supplemental to any other Medi-Cal reimbursement  
31 received by the hospitals, including amounts that hospitals  
32 receive under the selective provider contracts negotiated under  
33 Article 2.6 (commencing with Section 14081), and shall not  
34 affect provider rates paid under the selective provider contracting  
35 program.

36 (i) Each nondesignated public hospital that was a  
37 nondesignated public hospital during the 2002-03 fiscal year,  
38 received payments for the 2002-03 fiscal year from any of the  
39 prior supplemental funds, and, during the project year, satisfies  
40 the criteria in Section 14085.6, 14085.7, 14085.8, or 14085.9 to

1 be eligible to negotiate for distributions under any of those  
2 sections shall receive no less from the Nondesignated Public  
3 Hospital Supplemental Fund for the project year than 100 percent  
4 of the *federal share of the* amount the hospital received from the  
5 prior supplemental funds for the 2002-03 fiscal year. Each  
6 hospital described in this subdivision shall be eligible for  
7 additional payments from the fund pursuant to subdivision (j).

8 (j) All amounts that are in the fund for a project year in excess  
9 of the amount necessary to make the payments under subdivision  
10 (i) shall be available for negotiation by the California Medical  
11 Assistance Commission, along with corresponding federal  
12 financial participation, for supplemental payments to  
13 nondesignated public hospitals that for the project year satisfy the  
14 criteria under Section 14085.6, 14085.7, 14085.8, or 14085.9 to  
15 be eligible to negotiate for distributions under any of those  
16 sections, and paid for services rendered during the project year  
17 pursuant to the selective provider contracting program under  
18 Article 2.6 (commencing with Section 14081).

19 (k) The amount of any stabilization funding transferred to the  
20 fund with respect to a project year may in the discretion of the  
21 California Medical Assistance Commission to be paid for  
22 services furnished in the same project year regardless of when  
23 the stabilization funds become available, provided the payment is  
24 consistent with other applicable federal or state legal  
25 requirements and does not result in a hospital exceeding any  
26 applicable reimbursement limitations.

27 (l) The department shall pay amounts due to a nondesignated  
28 hospital from the fund for a project year, with the exception of  
29 stabilization funding, in up to four installment payments, unless  
30 otherwise provided in the hospital's contract negotiated with the  
31 California Medical Assistance Commission, except that hospitals  
32 that are not described in subdivision (i) shall not receive the first  
33 installment payment. The first payment shall be made as soon as  
34 practicable after the issuance of the tentative disproportionate  
35 share hospital list for the project year, and in no event later than  
36 January 1 of the project year. The second and subsequent  
37 payments shall be made after the issuance of the final  
38 disproportionate hospital list for the project year, and shall be  
39 made only to hospitals that are on the final disproportionate share  
40 hospital list for the project year. The second payment shall be

1 made by February 1 of the project year or as soon as practicable  
2 after the issuance of the final disproportionate share hospital list  
3 for the project year. The third payment, if scheduled, shall be  
4 made by April 1 of the project year. The fourth payment, if  
5 scheduled, shall be made by June 30 of the project year. This  
6 subdivision does not apply to hospitals that are scheduled to  
7 receive payments from the fund because they meet the criteria  
8 under Section 14085.7 but do not meet the criteria under Section  
9 14085.6, 14085.8, or 14085.9.

10 (m) The department shall pay stabilization funding transferred  
11 to the fund in amounts negotiated by the California Medical  
12 Assistance Commission and paid in accordance with the  
13 applicable contract or contract amendment.